

Members

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Rep. William Crawford, Co-Chairperson
Sen. Brandt Hershman
Sen. John Broden
Sen. Karen Tallian
Rep. Scott Pelath
Rep. Jeffrey Espich
Rep. P. Eric Turner
Advisory Member Sen. Gary Dillon
Advisory Member Sen. Lindel Hume
Advisory Member Rep. Terry Goodin
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SPECIAL JOINT BUDGET COMMITTEE

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Authority: IC 2-5-1.1

MEETING MINUTES¹

Meeting Date: June 2, 2009
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Luke Kenley, Co-Chairperson; Rep. William Crawford, Co-Chairperson; Sen. Brandt Hershman; Sen. John Broden; Sen. Karen Tallian; Rep. Scott Pelath; Rep. Jeffrey Espich; Advisory Member Sen. Gary Dillon; Advisory Member Sen. Lindel Hume; Advisory Member Rep. Terry Goodin; Advisory Member Rep. Randy Borrer.

Members Absent: Rep. P. Eric Turner.

Co-chairperson Senator Kenley described the proposed schedule for the committee. He indicated that the objective of the committee was to review the Governor's budget proposal and prepare a budget bill for the next biennium that could receive quick attention by both the House of Representatives and the Senate. Co-chairperson Representative Crawford indicated that he had received a copy of the Governor's proposed budget at 1:00 P.M. and that he would take the time needed to review the document thoroughly. He encouraged

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

the Budget Agency to quickly respond to future information requests from Committee members.

Governor Mitch Daniels addressed the Committee. He thanked the Committee for the opportunity to present a new budget proposal. He said the budget proposals considered in the 2009 Regular Session were based on a revenue forecast that substantially overestimated the amount of revenue that would be available during the next biennium. Implementation of any of these proposals would have depleted all of the State's reserves. The normal tools available to the Budget Agency to bring spending in line with available revenues would have been insufficient to adequately address this problem. First, the budget proposals contained a number of provisions that limited the Budget Agency's authority to reduce expenditures. Second, the budget proposals did not express how the General Assembly wanted the Governor to close the \$1,000,000,000 gap between proposed spending and expected revenues. Governor Daniels indicated that his current proposal would bring spending more in line with projected revenues while increasing spending for education. He emphasized that he was open to changes in the proposal but suggested the following boundaries for the final proposal: (1) No tax increases. (2) Adding or increasing an appropriation must be matched by decreasing another appropriation. (3) Reserves would not be below \$1,000,000,000 on June 30, 2011. (4) There would be no "cliff" (i.e., spending that could not be sustained in subsequent years) entering into Fiscal Year 2012. (5) General purpose stimulus funds must be used for one time purposes with an emphasis on job creation and leaving behind permanent assets. (6) No gimmicks such as unfunded debt service or using money from the Pension Stabilization Fund. Governor Daniels then answered questions from member of the Committee.

Chris Ruhl, Budget Director, distributed a number of documents to the Committee including: (1) A preliminary draft of the Governor's budget proposal numbered "PD 3017(ss)". (See, Exhibit 1.) (2) A copy of slides from a PowerPoint presentation entitled "FY 2010-2011 Budget Recommendation Presentation to the Special Legislative Committee on the Budget". (See, Exhibit 2.) (3) A statement containing totals of proposed appropriations by major budget category entitled "Budget Summary". (See, Exhibit 3.) (4) A breakdown of appropriations by agency administering the appropriations, fund, and account number. (See, Exhibit 4.) (5) A description of the substantive language located in PD 3017(ss) after the appropriation SECTIONS entitled "Summary of Budget Bill Language". (See, Exhibit 5.) (6) A statement listing capital projects for which federal stimulus money is proposed to be used entitled "General Purpose Fiscal Stabilization Funds (ARRA(b))". (See, Exhibit 6.) (7) A statement estimating impact of the school funding formula by school corporation entitled "School Formula Version H12: Constant per ADM Tuition Support. (See, Exhibit 7.) (8) A surplus statement for the biennium entitled "General Fund and Property Tax Replacement Fund Combined Statement of Estimated Unappropriated Reserve". (See, Exhibit 8.)

Mr. Ruhl discussed the information in the PowerPoint presentation (Exhibit 2) and answered questions from members of the Committee, including questions on the following issues: (1) The State's application to the United States Department of Education for federal stimulus money. (2) Availability of state and federal funding for K-12 education. (3) Proposed university capital projects, including projects authorized in the budget bill enacted in 2007. (4) The proposal in PD 3017(ss) specifying that 50% of the revenue in excess of the May 27, 2009, forecast will be used for school funding. (5) Whether the school funding formula would create funding "cliffs" in 2011 for certain schools. (6) Various matters concerning charter schools, including whether a state law capping the number of charter schools would jeopardize federal funding. (7) The formula for the distribution of higher education funding. (8) The impact the proposed state budget might have on higher education tuition increases and the availability of money to increase scholarships to offset

the effect of tuition increases. (9) Adequacy of funding for various other programs including community corrections and substance abuse programs.

Chuck Mayfield, Senior Fiscal Analyst with the Legislative Services Agency, distributed a copy of an analysis estimating the impact of the proposed school funding formula by school corporation school run entitled "2009, 2010 & 2011 School Formula Simulation (leg1011gov1)". (See, Exhibit 9.) Mr. Mayfield indicated that the school run reorganized the information presented by Budget Director in a format that is similar to the format used by the General Assembly in past legislative sessions to summarize the impact of the school funding formula. He indicated that he developed this school run using the assumption that 25% of certain stimulus funds would be distributed in calendar year 2009, 50% would be distributed in calendar year 2010, and 25% would be distributed in calendar year 2011. He indicated that this assumption differed from the assumptions used to develop the Budget Agency's school run (Exhibit 7). Senator Kenley indicated that he would ask the Budget Agency and the Legislative Services Agency to make additional presentations to explain the differences between the school runs presented by the Budget Agency and the Legislative Services Agency.

Senator Kenley indicated that the next meeting would convene on Thursday, June 4 at 9:00 a.m. He indicated that the Budget Director would be available to answer questions from the members of the Committee.

Co-chairpersons Senator Kenley and Representative Crawford adjourned the meeting at approximately 3:30 P.M.